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d.b.a. Rota Handicraft and Lee Byung Deuk

FILED
Clerk
District Court

MAY 17 2006

For The Northern Mariana Islands
By _____
(Deputy Clerk)

UNITED STATES DISTRICT COURT
FOR THE
DISTRICT OF THE NORTHERN MARIANA ISLANDS

SAIPAN HANDICRAFT,

Plaintiff,

vs.

MICRONESIA WOODCRAFT ENT., INC.,
ET. AL,

Defendants.

Civil Action No. 05-0040

DEFENDANTS LK CORPORATION
CORPORATION, dba ROTA
HANDICRAFT and LEE
BYUNG DEUK OPPOSITION TO
PLAINTIFF'S MOTION FOR
EXPANDED PRELIMINARY
INJUNCTION

Date: May 19, 2006
Time: 9:00 a.m.
Judge: Hon. Alex R. Munson

COMES NOW Defendants LK Corporation (LK Corp.) and Lee, Byung Deuk (Lee), by and
through undersigned counsel, and hereby sets forth its opposition to Plaintiff's Motion to Expand
Preliminary Injunction. Defendant LK Corp. and Defendant Lee's opposition is supported by the
attached memorandum of points and authorities, the "Rota Handicraft Bo Jo Bo Doll," Rota
Legislative Delegation Resolution 14-21, the declaration of Defendant Lee, Byung Deuk, and any
evidence that may be adduced at the hearing on this matter.

MEMORANDUM OF POINTS AND AUTHORITIES

INTRODUCTION

Plaintiff is Saipan Handicraft (Plaintiff). Defendants are LK Corporation, dba Rota Handicraft (Defendant LK. Corp.) and Lee, Byung Deuk (Defendant Lee) and numerous other retailers and alleged manufacturers of "Bo Jo Bo Wishing Dolls."

On April 18, 2006, Plaintiff filed a civil action against Defendant LK Corp. and Defendant Lee and numerous other defendants on or about April 18, 2006 setting forth causes of action pursuant to Title 15 of the United States Code, including; Use of False Designation in Interstate Commerce, Trademark Infringement, Trade Dress Infringement. Plaintiff also sets forth causes of action alleging: Unfair Competition, Tortious Interference with Contracts, Interference with Business Relationships with Customers, Interference with Competitor's Contract for Supply of Raw Materials, Conversion, Violation of the Consumer Protection Act, 4 CMC § 5101, and Fraud, Counterfeiting, Deceit.

On May 10, 2006, Plaintiff a Motion for Motion for an Expanded Preliminary Injunction. Plaintiff "seeks an expanded preliminary injunction order to stop all Defendants from counterfeiting, and selling counterfeits, of its trademarks and six (6) specific trade dress marks, from infringing upon its rights at common law and under 15 U.S.C. § 1051, et. seq."

FACTUAL BACKGROUND

The manufacture of "Bo Jo Bo Wishing Dolls" allegedly began in the 1960s. Subsequently, the Taimanao family on the island of Rota, Commonwealth of the Northern Mariana Islands (Commonwealth) also produced and continue to produce "Bo Jo Bo Wishing Dolls." These manufacturers produced "Bo Jo Bo Wishing Dolls" long before the establishment of Saipan Woodcraft, its successor Saipan Handicraft and other businesses or entities that later used the terms "Bo Jo Bo Wishing Dolls" and the "Legend of the Bo Jo Bo Wishing Doll." *See* Exhibit A. (Rota Legislative Delegation Resolution No. 14-21)

In 1980, Mr. Capati began making Bo Jo Bo Wishing Dolls under a separate business license using the name "Bo Jo Bo Wishing Dolls" and the Legend of the Bo Jo Bo Wishing Doll." In 1984,

1 Mr. Capati began making modern style "Bo Jo Bo Wishing Dolls" and continues to do so under the
2 business name Saipan Handicraft.

3 Defendant LK Corporation is a CNMI domestic corporation, dba Rota Handicraft, licensed to
4 do business in the CNMI. Defendant Lee, Byung Deuk is a CNMI resident and owner of Rota
5 Handicraft. Defendant LK Corp. and Defendant Lee began manufacturing and producing dolls and
6 using the name "Bo Jo Bo Wishing Doll" and the "Legend of the Bo Jo Bo Wishing Doll" on the island
7 of Rota.

8 On January 17, 2006 the Court entered an Order Granting in Part and Denying in Part
9 Plaintiff's Motion for Preliminary Injunction.

10 Defendant LK Corp. and Defendant Lee sell dolls that are of their own design and are
11 aesthetically functional. The dolls manufactured by Defendant LK Corp. and Defendant Lee do not
12 use cards that imitate exactly the Handicraft card/label or use a card/label so closely resembling the
13 label used by Plaintiff to be nearly identical or identical. *See* Exhibit B ("Rota Handicraft Bo Jo Bo
14 Wishing Doll."

15 Defendant LK Corp. and Defendant Lee were not named Defendants in this action at the time
16 the preliminary injunction was sought and were not served with the First Amended Verified Complaint
17 until April 21, 2006.

18 The design of Defendant LK Corp. and Defendant Lees' dolls have been modified over time
19 and do not reflect any of the trade dress features claimed to be protected by Saipan Handicraft under
20 common law or United States Trademark law. For example, the hats on the male and female dolls
21 manufactured by Defendant LK Corp. and Defendant Lee incorporate the use of a seashell, not a
22 pistachio. These changes were made to improve their overall quality, appearance, and aesthetic value
23 for customers.

24 Defendant LK Corp. and Defendant Lee have oral contracts and agreements with buyers,
25 suppliers of materials, retailers and other businesses for the purchase of Defendant LK Corp.'s and
26 Defendant Lee's dolls or services.

1 Plaintiff, through its respective notices, newspaper publications, and verbal communications
 2 concerning the Court's Order Granting in Part and Denying in Part Plaintiff's Motion for Preliminary
 3 Injunction, have caused the cancellation of orders and contracts for the purchase of Defendant LK
 4 Corp.'s and Defendant Lee's dolls. Defendant LK Corp. and Defendant Lee have been damaged in
 5 the form of lost sales and will continue to be irreparably harmed if the injunction is expanded.

7 III. ARGUMENT

8 A. Standard of Review for Preliminary Injunction.

9 As noted in the Court's Order Granting in Part and Denying in Part Plaintiff's Motion for
 10 Preliminary Injunction dated January 17, 2006, for a preliminary injunction to be granted, plaintiff
 11 must meet one of the following standards. "The first standard is the traditional four prong test:
 12 irreparable injury, likelihood of success on the merits, balance of equities, and the public interest." *See*
 13 Order Granting in Part and Denying in Part Plaintiff's Motion for Preliminary Injunction (Order) dated
 14 January 17, 2006, *quoting Martin v. Int'l Olympic Comm.*, 740 F.2d 670, 674-75 (9th Cir. 1984)
 15 (internal citations omitted); *see also, Sega Enterprises Ltd., Accolade, Inc.*, 977 F.2d 1510, 1517 (9th
 16 Cir. 1992).

17 The 9th Circuit Court of Appeals has held that injury is presumed if the court finds that plaintiff
 18 is likely to succeed on the merits. *Id.*, *citing GoTo.com, Inc. V. Walt Disney Co.*, 202 F.3d 1199, 1205
 19 n.4 (9th Cir. 2000) (internal citations omitted). In *GoTo.com, Inc. V. Walt Disney Co.*, the Court held
 20 that "[a] plaintiff is entitled to a preliminary injunction in a trademark case when it demonstrates either
 21 (1) a combination of 'probable success on the merits' and 'the possibility of irreparable injury' or (2)
 22 the existence of serious questions going to the merits' and that 'the balance of hardships tips sharply
 23 in his favor.'" *Id.*, *quoting GoTo.com, Inc. V. Walt Disney Co.*, 202 F.3d 1199, 1204-1205 (9th Cir.
 24 2000) (internal citation omitted). Alternatively, the 9th Circuit Court of Appeals has applied a different
 25 standard to trademark cases based on a sliding scale. *See Baby Tam & Co. V. City of Las Vegas*, 154
 26 F.3d 1097, 100 (9th Cir. 1998). "These are not separate tests, but rather outreaches of the same
 27 continuum." *Baby Tam & Co.*, 154 F.3d at 100 (internal citation omitted).

1 1. Likelihood of Success on the Merits.

2 Plaintiff has not shown a likelihood of success on the merits of his trademark and trade dress
3 infringement claims because Plaintiff does not have a registered trademark or trade dress and therefore
4 has no protectible statutory or common law interest. *See Yellow Cab Company of Sacramento v.*
5 *Yellow Cabl of Elk Grove, Inc.*, 419 F.3d 925, 928 (9th Cir. 2005) (An essential in a trademark
6 infringement claim is that the party asserting infringement must have a valid trademark.).

7 Plaintiff has also failed to show a likelihood of success on the merits because Plaintiff has not
8 met his burden of proving that the claimed, but as yet unregistered, trade mark is valid. *Id.* (If a
9 trademark is not registered, the holder asserting infringement has the burden of proving that the
10 claimed mark is valid.) Plaintiff may have applied to register trademarks and trade dress' with the
11 United States Trademark and Copyright Office, but such application is subject to publication of notice
12 and oppositions to such an application can be filed. Notwithstanding the administrative process for
13 obtaining a registered trademark or trade dress, it is not disputed that Plaintiff does not have a
14 registered trademark.

15 Plaintiff has also failed to show a likelihood of success on the trademark infringement claims
16 because the terms "Bo Jo Bo Wishing Doll" and "Legend of the Bo Jo Bo Wishing Doll" have become
17 generic terms. *See Yellow Cab, supra* at 930.

18 Plaintiff has also failed to show a likelihood of success on the merits of his common law
19 trademark infringement claims. "The purpose of a trademark is to distinguish the goods of one person
20 from those of another . . ." *See* Order dated January 17, 2006 *citing (Standard Paint Co. V. Trinidad*
21 *Asphalt Mfg.*, 220 U.S. 446, 447 (1911). Accordingly, to establish a common law trademark
22 infringement claim sufficient for a preliminary injunction, "[plaintiff] must show that it is likely to
23 prove that 'Defendant' is using a mark confusingly similar to [Plaintiff's] valid, protectable
24 trademark." Order dated January 17, 2006 *citing Brookfield Commc'ns, Inc.*, 174 F.3d at 1046.
25 Plaintiff, therefore, must show that it is likely that the trademarks or trade dress' are distinctive and
26 nonfunctional, and that there is a likelihood that the purchasers will confuse Defendant's use of the
27 marks or dress with that of Plaintiff. *Disc Golf Ass'n, Inc. v. Champion Discs, Inc.*, 158 F.3d 1002,
28 1005 (9th Cir. 1998). The mark is distinctive if it is either inherently distinctive or has acquired

1 distinctiveness through secondary meaning. *Id.*

2 As noted by this Court, “when Plaintiff adopted the term Bo Jo Bo Wishing Doll, the term was
3 not suggestive, arbitrary or fanciful and, therefore, not inherently distinctive with respect to Plaintiff’s
4 dolls.” *See* Order dated January 17, 2006 at 8, *citing Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S.
5 763, 768 (1992). Plaintiff, therefore, must show that the terms “Bo Jo Bo Wishing Doll” and “Legend
6 of the Bo Jo Bo Wishing Dolls” have secondary meaning that identify the source, manufacturer, or
7 origin of the product rather than the product itself.” *See Dollcraft Co., et al. v. Nancy Ann Storybook*
8 *Dolls, Inc.*, 94 F.Supp. at 5.

9 This Court, in the January 17, 2006 Order, noted that “[t]he purchasers’ degree of association
10 of the marks to a single source may be shown by actual confusion by the purchasers.” *See* Order dated
11 January 17, 2006 at 8, *citing Japan Telecom, Inc. v. Japan Telecom Am. Inc.*, 287 F.3d 866, 873-74
12 (9th Cir. 2002). The Court further noted that “[Saipan Handicraft] has not shown that purchasers were
13 actually confused Defendants use of the term Bo Jo Bo Wishing Dolls or Legend of the Bo Jo Bo
14 Wishing Dolls.” *Id.*

15 Plaintiff now seeks, in its Motion to Expand the Preliminary Injunction, to claim that its
16 purchasers are “actually confused” by Defendants use of the term Bo Jo Bo Wishing Dolls or Legend
17 of the Bo Jo Bo Wishing Dolls. *See* Paragraphs 21, 23-24 of Plaintiff’s Memorandum in Support of
18 Motion to Expand Preliminary Injunction. Plaintiff, however, has only submitted “evidence” of
19 alleged counterfeits made by unknown individuals who cannot be apprehended because they are of
20 Korean or Chinese ethnicity and the pursuit of the “counterfeiters” is akin to “chasing ghosts.”

21 Plaintiff, however, has not shown that Defendant LK Corp. and Defendant Lee have engaged
22 in any of this activity nor that they have violated the terms of the Order Granting in Part and Denying
23 in Part Plaintiff’s Motion for Preliminary Injunctions. *See* Exhibit C (“Declaration of Lee, Byung
24 Deuk). In fact, Defendant LK Corp. and Defendant Lee voluntarily complied with the injunction even
25 before being added as defendants in this matter. Plaintiff, therefore, is using the alleged actions of
26 certain un-named individuals to try and prevent Defendant LK Corp. and Defendant Lee, as well as
27 other parties in this matter, from lawfully engaging in the manufacture and distribution of dolls that
28 do not infringe upon any trademark or trade dress claimed by Plaintiff.

1 Plaintiff's motion for expanded preliminary injunction, therefore, still seeks to prevent parties
2 from incorporating, using, or otherwise use trade dress materials and features that are not distinctive,
3 are aesthetically functional and have not acquired secondary meaning. *See* Exhibit B. ("Rota
4 Handicraft Bo Jo Bo Wishing Doll")

5 Plaintiff's motion and exhibits have not changed the fact that Plaintiff does not have a
6 registered trademark or registered trade dress, but rather, has only applied for such trademarks and
7 trade dress. Defendant LK Corp. and Defendant Lee have not infringed upon Plaintiff's alleged
8 trademark or alleged trade dress designations or used a colorable imitation of Plaintiff's trademark or
9 trade dress. Defendant LK Corp. and Defendant Lee have not advertised in interstate commerce a
10 mark bearing a similar design.. *See* Exhibit B. ("Rota Handicraft Bo Jo Bo Wishing Doll").

11 2. Irreparable Harm.

12 Plaintiff has failed to show that it will suffer irreparable harm if the expanded preliminary
13 injunction is not issued. Plaintiff cites case law to the effect "damages occasioned by trademark or
14 trade dress infringement are by their very nature irreparable." *See* Plaintiff's Motion at 6, *citing*
15 *Foundry Servs., Inc. v. Beneflux Corp.*, 206 F.2d 214, 215 (2d Cir. 1953). Plaintiff, however, does not
16 have a registered trademark or trade dress and is not entitled to this presumption. Plaintiff, as noted
17 herein, has not established that Defendants have shown a "likelihood of confusion" due to the actions
18 or that "purchasers were actually confused."

19 3. Balance of the Equities.

20 The balance of the equities favor Defendant LK Corp. and Defendant Lee, who have acted
21 lawfully and in accordance with the orders of the Court. Defendant LK Corp. and Defendant Lee have
22 already been damaged by the actions of Plaintiff after the issuance of its respective notices, newspaper
23 publications, and verbal communications concerning the Court's Order Granting in Part and Denying
24 in Part Plaintiff's Motion for Preliminary Injunction. These actions resulted in the cancellation of
25 orders and contracts for the purchase of Defendant LK Corp.'s and Defendant Lee's dolls. Defendant
26 LK Corp. and Defendant Lee have been damaged in the form of lost sales and will continue to be
27 irreparably harmed if the injunction is expanded.



ROTA LEGISLATIVE DELEGATION
FOURTEENTH NORTHERN MARIANAS COMMONWEALTH LEGISLATURE

FOURTH SPECIAL SESSION, 2005

ROTA LEGISLATIVE DELEGATION
RESOLUTION NO. 14-21

Introduced by Senator Paul A. Manglona

A ROTA LEGISLATIVE DELEGATION RESOLUTION

Reaffirming the Rota Legislative Delegation's desire that the people of Rota continue to engage in the design and manufacture of handicrafts utilizing bayogo; and for other purposes.

1 **WHEREAS**, for reasons of geography, politics and demographics, the island of Rota
2 has traditionally lacked manufacturing and heavy industry such that its economy is not as
3 robust as those of neighboring islands; and

4 **WHEREAS**, the lack of heavy manufacturing coupled with the intelligent stewardship
5 and ecological awareness of the people of Rota has left the island of Rota in an almost pristine
6 condition, such that native plants abound in numbers which are both ecologically and
7 economically significant; and

8 **WHEREAS**, in recognition of the foregoing, with the tacit approval of the other
9 Legislative Delegations, and with the express approval of Governor Juan N. Babauta, the Rota
10 Legislative Delegation enacted Rota Local Law 13-3, the "Bayogo Exportation Ban Act of
11 Rota"; and

12 **WHEREAS**, the stated purpose of Rota Local Law 13-3 is to "ban the exportation of
13 raw bayogo, unless it is manufactured and assembled in Rota in the form of handicraft or
14 finished product ready to be exported and sold to gift shops or other outlets outside of Rota,"
15 thereby encouraging the people of Rota to establish handicraft manufacturers as a source of
16 income; and

17 **WHEREAS**, it was then and remains now the stated preferred public policy of the
18 Commonwealth of the Northern Mariana Islands that the people of Rota be encouraged to

Rota Legislative Delegation Resolution No. 14-21

utilize bayogo to produce handicrafts both as a means of preserving culture as well as for financial gain; and

WHEREAS, recently, due to miscommunication, some have mistakenly called into question the right of the people of Rota to manufacture handicrafts utilizing bayogo; and

WHEREAS, as a result of the public concern, a meeting was held at the Legislature with F. Matthew Smith, Esq., attorney for a party litigating an intellectual property dispute concerning a doll made from bayogo, and at such meeting it was agreed that the bayogo dolls made in Rota generally, and specifically those made by the Taimanao family, did not interfere with the rights of his client; now therefore

BE IT RESOLVED, by the Rota Legislative Delegation of the Fourteenth Northern Marianas Commonwealth Legislature, that the cultivation and harvesting of bayogo by the people of Rota are encouraged, as a source of family income and to provide raw materials to the artisans producing the traditional handicrafts utilizing these natural resources; and

BE IT FURTHER RESOLVED, that the Rota Legislative Delegation hereby reaffirms the Legislature's desire that the people of Rota continue to design, craft and manufacture handicrafts utilizing bayogo, thereby preserving what is considered to be a distinct aspect of cultural heritage as well as for commercial gain; and

BE IT FURTHER RESOLVED, that businesses producing handicrafts made of bayogo are encouraged to establish operations on the island of Rota and that these businesses are encouraged to employ the people of Rota in all aspects of the harvesting, production, sales, marketing, and management of such businesses; and

BE IT FURTHER RESOLVED, that businesses are encouraged to exercise creativity in the use of bayogo to manufacture a multitude of products that might be sold to tourists and exported to places, such as Japan, where the bayogo is recognized for its natural beauty when incorporated into traditional handicrafts; and

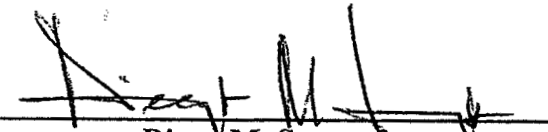
BE IT FURTHER RESOLVED, that the exportation from the island of Rota of raw bayogo, not incorporated into a finished handicraft product shall continue to be prohibited to encourage business activity on Rota and to maximize the benefits to the people of Rota from their own natural resources; and

Rota Legislative Delegation Resolution No. 14-21

1 **BE IT FURTHER RESOLVED**, that the Chairman of the Rota Legislative Delegation
2 shall certify, and the Legislative Secretary of the Rota Legislative Delegation shall attest to the
3 adoption of this resolution and the Delegation Clerk shall thereafter transmit certified copies to:
4 the Honorable Juan N. Babauta, Governor of the Commonwealth of the Northern Mariana
5 Islands; to the Honorable Benigno R. Fitial, Speaker, House of Representatives; to the
6 Honorable Benjamin T. Manglona, Mayor of Rota; to the members of the Rota Municipal
7 Council; to Mr. Francisco R. Taimanao; and to Attorney F. Matthew Smith.

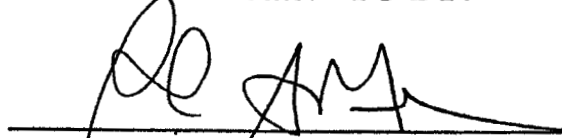
Adopted by the Rota Legislative Delegation on December 28, 2005.

CERTIFIED BY:

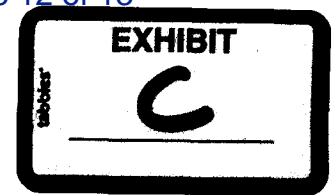


Diego M. Songao
Chairman

ATTESTED TO BY:



Paul A. Manglona
Legislative Secretary



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9 Attorney for Defendants LK Corporation,
10 d.b.a. Rota Handicraft and Lee Byung Deuk

11 UNITED STATES DISTRICT COURT
12 FOR THE
13 DISTRICT OF THE NORTHERN MARIANA ISLANDS

14 SAIPAN HANDICRAFT,

Civil Action No. 05-0040

15 Plaintiff,

16 vs.

DECLARATION OF
LEE, BYUNG DEUK

17 MICRONESIA WOODCRAFT ENT., INC.,
18 ET. AL.,

19 Defendants.

20 I, LEE, BYUNG DEUK, do hereby declare under penalty of perjury that the foregoing is true and
21 correct:

22 1. I am the President of L.K. Corporation, dba Rota Handicraft and have personal
23 knowledge of the matters set forth herein.

24 2. That I am a citizen of the Republic of Korea and am of Korean heritage.

25 3. That I have looked at Exhibits I of Plaintiff's Motion for Expanded Preliminary
26 Injunction.

27 4. That I have looked at Exhibit I(1) of Plaintiff's Motion for Expanded Preliminary
28 Injunction.

- 1
- 2 4. That I never caused, ordered, or otherwise ordered or transacted with Pacific Quick
- 3 Print in Garapan to make copies of a "Saipan Handicraft blue card" as shown in
- 4 Exhibit I and Exhibit I(1) of Plaintiff's Motion for Expanded Preliminary Injunction
- 5 on March 13, 2006 or at any other time.
- 6
- 7 5. That I do not own a silver Toyota Echo (License No. ABY 204) and do not know of
- 8 any individual, employee or other person that owns, leases or otherwise utilizes a
- 9 vehicle with such make, model and license number.
- 10
- 11 6. That I have looked at Plaintiff's Exhibit G, Exhibit G(1).
- 12
- 13 7. That I have never caused, ordered, or otherwise ordered or transacted with Pacific
- 14 Quick Print in Garapan to make copies of a "Saipan Handicraft blue card" as shown
- 15 in Exhibit I and Exhibit I(1) of Plaintiff's Motion for Expanded Preliminary
- 16 Injunction on March 13, 2006 or at any other time.
- 17

18 I declare under penalty of perjury under the laws of the United States of America that the
19 foregoing statements are true to the best of my knowledge; and make this declaration on May 17,
20 2006, in As Perdido, Saipan, Commonwealth of the Northern Mariana Islands

21 

22 _____
23 LEE, BYUNG DEUK
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